Foreign Agriculture

June 19, 1978

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

Spinning cotton at a mill in the People's Republic of China.

Far East Textile Recovery Speeds U.S. Cotton Exports

By Robert B. Evans

Despite a pickup in business, Far Eastern textile markets continue to be affected by many factors, such as intense competition and overcapacity in the manmade fiber sector and international efforts to regulate the flow of textiles. Some industries, however, are faring better than others.

Textile industries in the Far East — all large consumers of U.S. cotton—currently are enjoying some pickup in business in world textile markets, but continue to be affected by international efforts to regulate the flow of textiles (particularly from developing to developed countries), and overcapacity and intense competition in the manmade fiber industry.

Japan, for many years one of the major exporters of textiles in the world, continues to do well, considering rapidly escalating labor and other costs. Japan's exports of cotton goods in 1977 were the largest in several years—around 89,000 metric tons—and substantially in excess of imports, unlike the situation in 1973, 1974, and 1976.

Japan's largest export markets for cotton cloth are Hong Kong, Australia, the United States, Iran, and Korea. Japan imports cotton yarn from Pakistan and Korea and cotton cloth from the People's Republic of China (PRC), Taiwan, and Korea.

In 1977, Japan also exported around 185,000 tons of synthetic textiles, the largest quantity since 1972 and over triple the import of such textiles into Japan. Principal destinations were Hong Kong, Korea, South Africa, and Saudi Arabia.

Japan regained the position of the largest supplier of imported textiles to the United States in 1977, after being superseded by Hong Kong in 1976. The bulk of these imported Japanese textiles (732 million square meters) was primarily manmade fibers, yarns, and fabric, although a substantial proportion was blended with a cotton content. Only 72 million square meters were primarily cotton products. A bilateral agreement exists between the United States and Japan calling for consultation if the flow of textiles exceeds certain levels.

Despite a large volume of exports, Japan's textile industry faces serious problems. Domestic offtake of textiles in the huge Japanese market has never recovered to the 1973 level because of continued slackness in the economy and a squeeze on the Japanese consumer's pocketbook. Around 83 percent of Japan's output, of cotton textiles and 60 percent of synthetic textiles go into domestic consumption, unlike the situation in some other Far Eastern countries.

Costs in the Japanese textile industry have been rising rapidly. By July 1977, beginning mill employees were receiving $340 a month, compared with $52 in Korea. Also, heavy costs have been imposed on the industry for pollution abatement.

With many of the companies in serious financial straits, both Japan's spinning and synthetic fiber industries have resorted to antirecession cartels to limit production. There have been a number of bankruptcies and mergers. The number of operable cotton system spindles in Japan dropped from 11.4 million at the end of 1974 to 10.8 million in September 1977, and only 80 percent were operating at the end of 1977, compared with over 95 percent prior to 1974.

Despite a good export performance in 1977, Japan's cost situation may make competition in the international market increasingly difficult except in high-technology and high-style products, particularly in view of the high value of the yen in terms of dollars.

Mill consumption of cotton in Japan peaked at around 3.7 million bales (480 lb net) in 1972/73 and 1973/74 and will be down to an estimated 2.8 million bales in 1977/78. The United States exported 1.024,200 bales to Japan in 1976/77, the most to any country. U.S. exports, plus outstanding sales to Japan from August 1977 through May 14, 1978, totaled 1,358,000 bales. But it is questionable whether all of this volume can be moved by the end of the season. Some 343,000 bales already had been sold for delivery to Japan by May 14 for delivery in 1978/79.

The USSR is the second largest supplier (488,000 bales in 1976/77). Imports from India and Pakistan have declined because of shortages of short-staple Desi cotton, which is used extensively in Japan for wadding and sleeping mats.

Korea's textile industry has been expanding vigorously in recent years and the expansion continues. Korea had 902,000 spindles in 1970, 2.1 million in 1976, 2.3 million in mid-1977, and plans for 3.3 million by 1981.

About 60 percent of Korea's textile output is 100 percent cotton, 30 percent is blended, and 10 percent synthetic. Because the industry has large, modern mills and comparatively low wages, it probably can produce cotton textiles at as low a cost as any other country.

Imports of cotton into Korea rose from just over one-half million bales in 1970/71 to around 1 million in each of the past two seasons. As nearly all of Korea's cotton is imported from the United States, it now rivals Japan as the largest export market for U.S. cotton.

In fact, U.S. exports plus outstanding sales (August 1977-May 1978) to Korea, totaling 1.443 million bales are in excess of those to Japan, but may not be delivered this season. Further expansion of imports to 1.5 million bales annually in 1980 is planned, despite the fact that Korea now has a

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new, large synthetic fiber industry. Nevertheless, the mills have been increasing their proportion of blended fabrics.

About 70 percent of Korea's cotton imports are processed into exported textiles. Korea's exports of textiles and clothing (including furs) totaled $3.3 billion in 1977, up $1 billion from those of 1976. Hong Kong, Japan, the European Community (EC), and the United States are the leading destinations.

Korea has been concerned because over 40 percent of its textile exports are subject to quota restrictions. A new 5-year bilateral agreement recently was signed between Korea and the United States, providing for a standstill in allowable imports of Korean textiles into the United States in 1978, and a 6.5 percent annual growth rate thereafter.

Imports of textiles into the United States from Korea totaled 462 million square meters in 1977, down 10 percent from those in 1976. Most were of manmade fiber textiles, and only 61 million square meters were primarily of cotton.

Negotiations also were underway between Korea and the EC at the end of 1977 regarding a bilateral agreement to limit entry of Korean textiles into the EC. Considering Korea's efficiency in textile production and international moves to reduce gradually international restrictions on trade in textiles, it would appear that Korea's textile exports may expand still further in the future.

Taiwan is another major exporter of textiles and major purchaser of U.S. cotton. Only 4 percent of its cotton consumption goes into domestic consumption; the balance is for export.

Taiwan's international competitiveness is handicapped by a limited labor supply with wage rates that although far below the Japanese level are 30 percent higher than Korea's.

Taiwan also is handicapped by its large number of small mills and limited diplomatic relations. In 1955, there were only 16 cotton mills and 200,000 spindles in Taiwan. By 1973, the industry had grown to 77 mills and 1.5 million spindles. The boom throughout the Far East in textiles at this time brought rapid expansion to 120 mills and 2.5 million spindles in just 1 year. In 1977, the spindleage had grown to 2.7 million.

Taiwan's textile exports rose from $1.7 billion in 1975 to $2.5 billion in 1976 and an estimated $2.7 billion in 1977. Nevertheless, the depressed international market for textiles following the petroleum crisis has caused the industry great difficulty, particularly for new firms that incurred heavy debt. Older companies—with better resources—have been able to survive the economic shock. Late in 1977, spinning mills had incurred a debt of $210 million to banks and the Government. To remedy the situation, the industry has proposed merging all of the mills into 15 large enterprises and retiring 150,000 spindles.

One-third of Taiwan's textile exports are to the United States, 12 percent to the EC, 12 percent to Hong Kong, 7 percent to Japan, 5 percent to Canada, and 31 percent to other destinations.

A quality improvement program is to include a textile design center with U.S. fashion experts.

Exports of synthetic fabrics, some of which are blends containing cotton, have risen rapidly from 87,723 tons in 1971 to 336,062 in 1976. These exports are aided by Taiwan's new synthetic fiber industry, which came into operation at a time of heavy world overcapacity and currently is selling its product at below-cost prices.

Taiwan's exports of cotton textiles rose steadily from 65,814 tons in 1973 to 121,782 tons in 1976. Imports of Taiwanese textiles into the United States rose from 533 million square meters in 1976 to 574 million in 1977, but of this amount, cotton exports were only 100 million square meters in 1976 and 94 million in 1977.

The United State currently is negotiating a renewal of its bilateral textile agreement with Taiwan. Recently, Taiwan conducted negotiations with the EC regarding import quotas, and a drive was on in early 1978 to increase exports to Japan.

Taiwan's imports of raw cotton topped the 1-million-bale mark in 1975/76 but dropped to 800,000 in 1976/77. About one-half of imports have been from the United States. Through May 14, 1978, exports plus sales of U.S. cotton to Taiwan for the 1977/78 season totaled 647,000 bales.

The Philippine textile industry is relatively small, just under 1 million spindles at the end of 1976. While only half of the industry was running on three shifts in 1977, some expansion in spindleage is taking place.

Wages are among the lowest in the Far East—$2.00 per day. Interest rates are very high, and the industry's productivity is considered very low in terms of labor and machinery.

The Philippine textile industry produces largely for domestic consumption, and in this market encounters intense competition from

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smuggled textiles, a substantial proportion of which are from Taiwan.

Textile exports remain relatively small and, except in some instances, cannot be considered competitive on the world market. However, they rose from $22 million in 1975 to $50 million in 1976, of which 37 percent was exported to the United States, over 15 percent to the EC, 10 percent to Japan, and the balance to many other destinations. The textile industry lost heavily in 1975, but made a small profit in 1976.

The Philippines has had greater success exporting clothing than yarn and fabrics, and looks forward to continued expansion in this area. Clothing exports have risen an average of 31 percent annually since 1970, and are now the Philippines' fourth largest foreign-exchange earner.

Of total clothing exports of $185 million in 1976, 60 percent was shipped to the United States and 23 percent to the EC. U.S. imports of textiles (including clothing) from the Philippines totaled 118 million square meters in 1977, compared with 107 million in 1976.

The Philippines imported 170,000 bales of cotton in 1975/76 and 110,000 bales in 1976/77, largely from the United States. As of May 14, 1978, exports and sales from the United States in 1977/78 totaled 132,000 bales.

The Philippines imported nearly twice as much manmade fibers in 1976/77 as cotton. The Philippines Government has been trying to grow cotton, and about 9,000 bales were produced in 1977.

Hong Kong's wage rates are second only to Japan's as the highest in the Far East, but Hong Kong is still one of the world's largest exporters of textile products.

The Hong Kong industry, which originated in Shanghai, tends to have separate concerns for spinning, weaving, and finishing, and for a long time exported only gray cloth. Later, Hong Kong made finished goods, but now is concentrating on apparel and moving into high-fashion goods and a high-quality image.

The Government is very concerned with Hong Kong's reputation for quality; it has 100 inspectors to maintain standards and textiles cannot be exported without a license.

Hong Hong's spindleage has declined moderately since 1971, but many of the mills are updating their spinning and weaving operations. With over 50,000 open-end rotors, which have a greater capacity of spinning than traditional spindles, the industry probably has as great a capacity as ever. Nevertheless, 25-35 percent of Hong Kong's spindles were idle in the fall of 1977.

Hong Kong's consumption of cotton has continued to rise, surpassing the million-bale mark in 1975/76. There was a moderate setback in 1976/77 and a buildup of textile inventories in the first half of 1977. Hong Kong imported much more cotton from the United States in 1976/77 (425,000 bales) than in the previous 2 years. The USSR, the People's Republic of China (PRC), Tanzania, and Argentina, were other important suppliers. Imports from India, Pakistan, and Brazil dropped off substantially because of lack of supplies. Through May 14, the United States had sold or exported 584,000 bales of cotton to Hong Kong during the current season.

Hong Kong, a free port, is a large importer as well as a large exporter of textiles. Imports of cotton yarn, mostly from Pakistan—but some from South Korea, the PRC, and Taiwan—totaled over 100,000 tons in 1976, the equivalent of 560,000 bales of cotton. Hong Kong also imported 486 million square meters of cotton cloth, about one-half from the PRC and most of the rest from Taiwan.

The imports from the PRC were said to be mostly for local consumption or reexport to Africa and Southeast Asia. Hong Kong is also a large importer of manmade fibers, yarns, and fabrics, primarily from Japan, South Korea, and Taiwan.

Cotton yarn exports from Hong Kong are minimal, but Hong Kong is third only to Japan and Korea as the world's largest exporter of cotton goods. Exports have been in the 400-million-square-meter range for a number of years, of which one-third is exported to the United States, one-fourth to Western Europe, and one-fifth to Australia and New Zealand.

Hong Kong, however, remains the world's largest exporter of clothing, despite rising competition from South Korea and Taiwan. Garment exports were valued at $1.35 billion in the first half of 1977—down 6.5 percent from the same period in 1976.

Imports of textiles (including clothing) from Hong Kong into the United States totaled 742 million square meters in 1976, the largest quantity from any country, but declined slightly to 701 million in 1977. A new bilateral agreement extending through 1982 was signed by the United States and Hong Kong last August, calling for a standstill in allowable imports in 1978 and a 6 percent annual increase thereafter.

The PRC admits to not having much success in expanding cotton production in the past few years, and to having a smaller crop in 1977. FAS estimates the crop at 10.1 million bales, off more than 1 million bales from that of a year ago. Cotton in the PRC is a first-category commodity and cannot be sold in the free market; it must be sold to the Government.

Cotton producers are allowed to keep only 1 kilogram for personal use. The cotton cloth ration varies from higher allowances in colder areas to less in warmer ones, but the average is 5-6 meters.

There is greater urgency to produce food in the PRC rather than cotton. Cotton is sold to the State at fixed prices, which have been changed only eight times since 1949. Quotas are assigned to each community and if exceeded, farmers receive bonuses. This mix of prices, incentives, and quotas determines how much cotton is grown.

For the PRC on the whole, the limiting factor on cotton production is still foodgrains. In the north, wheat, corn, and millet are the important alternate crops; in the south, rice and wheat. There are, of course, traditional cotton-growing areas, but there is always competition for land, labor, and fertilizer.

The future of cotton production in the PRC depends on the country's success in raising yields both of cotton and food crops. While food production will continue to receive top priority, the procurement price for domestic cotton will be increased for this year's crop and more fertilizer will be made available for cotton growing.

It is hoped, by these means, to achieve an annual increase in cotton production of over 10 percent for each of the next 3 years.

However, given the emphasis on food crop production, it seems unlikely that there will be much expansion in cotton area until 1980.

The PRC is expanding its use of manmade fiber production, which in 1976 totaled 177,000 tons and by the end of this year, the country plans to have a capacity of 280,000 tons.

The PRC has also become a major importer of manmade fibers, purchasing 147,000 tons from other countries in 1976. It has been able to purchase these fibers at very low prices, sometimes as low as 34-38 U.S. cents per pound for polyester staple fiber, which is far below the level of either cotton or polyester prices in developed countries.

Although the PRC is one of the world's largest producers of cotton, it can also be a substantial importer. Total imports of cotton into the PRC peaked at 2.0 million bales in 1972/73, then declined to 650,000 bales in 1976/77. But a rise to as much as 1.4-1.6 million bales is in prospect for 1977/78. U.S. cotton exports to the PRC, after coming to a halt in the past two seasons, have resumed in 1977/78 and through mid-May, 420,000 bales already had been shipped or sold.

The PRC, with its huge manpower, has a high potential for exporting textiles, if it can more than keep up with the needs of its own population. It is now the fourth largest supplier of imported cotton textiles to the U.S. market, although imports into the United States from the PRC declined from 123 million square meters in 1976 to 68 million in 1977.

The PRC also is now the largest supplier of imported cloth to Japan, providing about one-half of that country's imports. □

Argentina's Grain Exports Seen Declining

Argentina's exports of wheat, corn, and sorghum from 1977/78 crops probably will total about 12 million metric tons, down sharply from the previous season's 15 million tons. The three grains account for 97 percent of the country's total grain exports.

Most of the decline from the previous total will be in wheat. At 5.2 million tons, the 1977/78 wheat crop is less than half the 1976/77 harvest. Area was cut back sharply because of lower world prices, and a severe drought reduced yields.

Wheat exports during December-November 1977/78 are expected to be no more than 1.6 million tons, of which the largest share has already been shipped to the Soviet Union.

All of the estimated 15 percent increase in corn production will go into exports. The crop is now estimated at 9.5 million tons. Exports during April-March 1978/79 are estimated at about 6.2 million tons, at least 800,000 tons more than in 1977/78.

Grain sorghum production is expected to rise about 5 percent and exports during the 1978/79 marketing year are forecast at 4.5 million tons, slightly larger than shipments had been in the previous season.

During 1973-77, Western Europe was Argentina's most important market for grain, but its share declined from an average 43 percent during 1973-76 to 31 percent for 1977.

Imports by non-European Community countries increased in 1977 and now account for about one-third of the West European market.

Argentina's traditional Latin American markets steadily decreased in importance during 1975-77 with a decline in their total share from 23 percent to 16 percent. Intermittent reduced availabilities of wheat in Argentina and increased competition from U.S. and Canadian wheat were major factors in Argentina's declining wheat sales to Brazil.

Mostly because of large sorghum purchase by Japan, the Asian market has remained strong. Large sales of corn to Singapore and Japan plus sorghum purchases by Taiwan also helped boost Argentine exports to Asia to 21 percent of the total in 1977.

Emerging markets for Argentine grains have developed most strongly in the major centrally planned economies. Grain exports to these countries have averaged 21 percent of total Argentine exports since 1974, or 2.3 million tons per year.

Favorable prices, use of optional-origin contracts, and the seasonal timing of the harvests (prior to Northern Hemisphere crops) have contributed to increased sales in this sector.

The USSR has become one of Argentina's largest grain outlets in recent years. Sales to East European countries jumped dramatically during 1977 and accounted for almost 12 percent of total Argentine grain exports. Wheat exports to Eastern Europe went from almost nil in 1976 to more than 1 million tons in 1977.

Small but steadily expanding markets for Argentine grains include Africa and the Middle East. Together they accounted for 10 percent of Argentine grain exports in 1977, compared with 4 percent in 1973. The North African market in particular has been active, and imported almost 1 million tons during 1977. □

Based on reports from Myles Mielke, ESCS, and Office of U.S. Agricultural Attaché, Buenos Aires.

U.S. Farm Exports to Ireland Jump

Higher prices and expanded volume of soybean cake and meal and feedgrains were the main contributors to a 28 percent jump in the value of U.S. exports of agricultural products to Ireland during 1977.

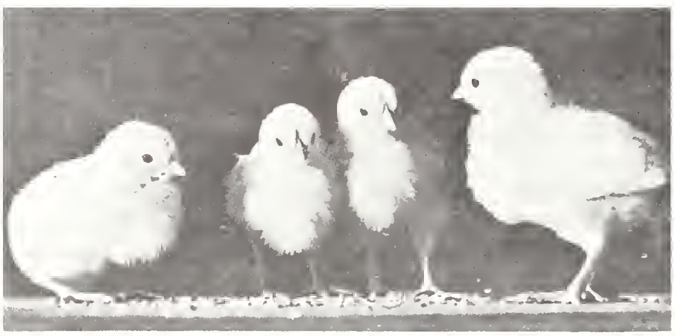
Total value of U.S. farm exports to Ireland during the year was a record $101 million. U.S. exports of oilseed cake and meal to Ireland rose 48.6 percent to $35.9 million, and feedgrain shipments rose 35.4 percent to $38.1 million.

During 1977, Ireland's imports of live animals were valued at $69 million, of which $700,000 came from the United States. The total import value of other key commodities, with the U.S. share in parentheses: Wheat, $35.4 million ($2.6 million); fruit and vegetables, $87.7 million ($4.2 million); unmanufactured tobacco, $23.3 million ($8.4 million); fixed vegetable oil, $21.4 million ($400,000); essential oils $4.2 million ($1.6 million); and others, $374.2 million ($9.1 million). □

U.S. Grain, Oilseeds: Grist for West German Feed Compounders

By Kathryn Kayser

West Germany's poultry, dairy product, and meat producers are using larger amounts of compounded feed, providing a growing market for U.S. corn and soybeans.



West Germany's trend-line growth in consumer demand for meat is keeping that country's feed mills grinding at a steadily rising rate to supply the compound feeds needed for increasing cattle, swine, and poultry numbers.

The United States is a principal supplier to West Germany of at least two key feed components—corn and soybean products. If these components maintain their relative market shares over competing feed ingredients, West Germany's compound feed industry should continue to be an active market for U.S. grain and oilseed products.

U.S. corn is of particular importance to the West German feed industry. Over 85 percent of West Germany's 1976/77 grain imports from the United States consisted of corn, and U.S. corn accounted for about 90 percent of total West German corn imports.

Corn's main use in West Germany is in poultry and swine feeds. The corn component of poultry rations is fairly stable and probably will remain so. In swine feeds, however, the component mix is more flexible, with corn, barley, and wheat generally substitutable for one another.

Swine feeding accounts for 60 percent of all grain used in feed, and thus its level of corn utilization is of substantial importance to U.S. corn producers and exporters.

West Germany's 1976/77 oilseed imports rose to almost 4.7 million metric tons, slightly above the 4.5 million tons in the preceding year.

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The soybean share of total oilseed imports declined from 75 percent in 1975/76 to 71 percent in 1967/77, when total soybean imports fell about 140,000 tons to 3.3 million tons.

The U.S. share of the soybean market dropped about 80,000 tons to 2.5 million tons in 1976/77.

However, at the same time, imports of U.S. soybean meal in 1976/77 rose 16 percent over the year-earlier level to 500,600 tons, the U.S. share of that market going up to 53 percent.

The raw materials that go into West German compound feed production include grains and pulses, bran and middlings, oilcake and meal, meat and fish meals, tapioca, and other ingredients.

Over the past two decades, grains have been the major component, holding a 35-42 percent share of total production between 1953/54 and 1974/75.

Yet the amount of grain used increased nearly eight times during this period—from 511,000 tons in 1953/54 to more than 4 million tons in 1974/75.

Oilcake and meal are the second largest component group in compound feed production. During the past two decades, this group of feed components has claimed an increasing share of total production—from 23 percent in 1953/54 to 30 percent in 1974/75—while the amount used increased nearly 12 times during this period, rising from 277,000 tons to 3.3 million tons.

It is unlikely that West German demand for oilseed meals in livestock feed will diminish under the European Community's present agricultural policies.

Between 1960 and 1976, West German area planted to all grains increased 8 percent, while area planted to

feedgrains—excluding rye —went up 36 percent.

Although an increasing share of grain production is being fed on the producers' farms—54 percent in 1975/76, compared with 45 percent in 1960/61—larger quantities also are being sold on the market.

In 1975/76, 2.4 million tons of the West German grain harvest were sold on the market—double the 1.2 million tons sold in 1960/61.

And during 1975/76, 83 percent of the feedgrains sold in West Germany were purchased for compound feed use, compared with 61 percent in 1960/61.

Grain imports have varied in volume—largely according to the size of the domestic harvest—but have steadily increased. Between 1960/61 and 1975/76, total net grain imports rose by over 40 percent to more than 4 million tons, and in the drought year of 1976/77 jumped to more than 6.5 million tons.

The amount of imported grain used for feed nearly doubled during 1960/61-1975/76 and accounted for 14 to 26 percent of total grain fed during this period. In 1975/76, the import share was about 16 percent of total grain fed.

Grain imports from the United States more than doubled between 1960/61 and 1975/76, climbing to 2.8 million tons. Corn is the most important of the grains imported from the United States, accounting for 45 percent of total U.S. grain imports in 1960/61 and over 85 percent in 1976/77.

Production of compound feed has quadrupled since 1960/61, rising from 3.6 million tons at that time to an estimated 13.6 million tons in 1976/77.

Of the major types of feed marketed, compound feed accounted for 79 percent in 1974/75—a share about 50 percent larger than that of 20 years earlier. In 1974/75, compound feed accounted for nearly 80 percent of expenditures on feed, compared with 34 percent in 1953/54. This 1974/75 expenditure for compound feed accounted for more than 25 percent of all farm operating costs.

While West German compound feed production has increased significantly since the early 1950's, the share of this feed shifted among the various livestock sectors during this period.

The share fed to cattle between 1960/61 and 1975/76 moved up from 26 percent to 33 percent of total compound feed production, while the hog sector's share increased from about 29 percent to 37 percent.

In contrast, the poultry sector's share declined from 44 percent to 27 percent.

The increasing importance of compound feed in West Germany's agricultural economy is reflected in the rising use of compound feed per animal unit over the past two decades. Annual mixed feed use per dairy cow jumped from 65 kilograms in 1954 to 529 kilograms in 1975; annual use per slaughter hog rose from 24 kilograms in 1954 to 132 kilograms in 1975.

Compound feed use has grown faster than livestock numbers, and compound feed increasingly is displac-

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Meal Use Up

West Germany's animal product output is forecast to grow at a moderate rate through 1978/79, and meal demand, as a result, is expected to expand commensurately to meet the anticipated growth in livestock numbers.

Soybean meal consumption in the year ending September 30, 1978, is forecast at 3 million tons—up 2 percent from 1976/77's level.

Imports of soybean meal during 1977/78 are estimated at 1.1 million tons, up from 952,000 tons in 1976/77. Imports during 1978/79 are forecast at 1.5 million tons.

West Germany: Grain Imports, 1960/61–1977/78 [1]

[1,000 metric tons]

Item	1960/61 [1]	1965/66 [1]	1970/71 [1]	1975/76 [1]	1976/77 [1]	1977/78 [1]
Grain imports from U.S.	4,198	7,265	8,615	6,410	8,290	6,820
Total grain imports	1,135	2,204	2,900	2,755	4,250	3,670

[1] July-June.

West Germany: Grain Imports for Feeds, 1960/61–1975/76

Item	1960/61	1965/66	1971/72	1974/75	1975/76
	1,000 MT	*1,000 MT*	*1,000 MT*	*1,000 MT*	*1,000 MT*
Grain imported for feed	1,352	2,933	3,041	2,923	2,630
	Percent	Percent	Percent	Percent	Percent
Grain imported for feed as percent of total grain fed	14.2	26.3	19.9	17.7	16.0

West Germany: Compound Feed Production, 1960/61–1976/77

[1,000 metric tons]

Year	Cattle & calves	Swine	Poultry	Horses & other animals	Total production
1960/61	926.3	1,022.3	1,562.0	65.5	3,576.1
1965/66	1,936.5	2,032.7	3,046.5	187.4	7,203.1
1970/71	2,517.2	3,485.9	3,595.3	202.0	9,800.4
1975/76	4,077.5	4,598.4	3,405.4	331.5	12,412.8
1976/77 [1]	4,800.0	5,040.0	3,260.0	460.0	13,560.0

[1] Preliminary.

U.S. Exports to Africa Rise in Volume and Value in 1977

By Robert E. Marx

Africa, long a major market for U.S. agricultural exports and a source of U.S. farm imports, increased its importance as both in 1977. Compared with the year before, the volume of U.S. agricultural exports to Africa was 40 percent greater in 1977, although lower unit prices resulted in a more moderate 16 percent gain in value. U.S. imports of African farm products were 11 percent greater in volume in 1977, although these African commodities cost a thumping 34 percent more than the previous year's total.

With U.S. imports of African farm products in 1977 standing at $1.51 billion, and this country's farm exports to that continent at $1.36 billion, the United States was in a deficit position in last year's agricultural trade with Africa. In previous years, the United States exported more to Africa than it imported, a situation reflected by U.S. farm imports of $1.13 billion in 1976 and exports of $1.18 billion, giving the United States a net surplus of $50 million. The U.S. trade balance with Africa deteriorated in 1977 because of higher prices for imported African commodities compared with prices of exported U.S. products.

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Wheat, rice, tallow, cottonseed oil, tobacco, and corn made up 72 percent of all U.S. farm commodity exports to Africa in 1977. The remaining 28 percent consisted of numerous other items, with cotton and wheat flour having the highest value.

Among U.S. farm commodity exports to Africa, there were four key products, each of which earned more than $100 million, and two others that earned almost that much. By far the most important was wheat, earning $388.3 million (not including exports of $60.9 million of wheat flour). Rice earned $178.0 million; cottonseed oil, $120.9 million; and tallow, $106.0 million. Earning slightly less were tobacco, $98.5 million; and corn, $95.0 million.

Egypt was the No. 1 African market for U.S. farm products. Nigeria was second and Algeria, third.

Total U.S. farm product shipments to Egypt were $540.3 million in 1977. Some $300 million of this amount was exported under "specific U.S. Government-financed programs"—about two-thirds under dollar credits and one-third under U.S. Agency for International Development commodity loans.

Nigeria bought $212 million worth of U.S. farm products in 1977, mainly rice and wheat. Nigeria took the largest volume of U.S. rice shipped to Africa and the second largest amount of wheat. All of these shipments were for cash, generated by huge Nigerian petroleum exports.

Algeria's imports of U.S. farm products in 1977 totaled $140 million, 46 percent of which was wheat.

U.S. exports to Algeria of corn, barley, and tallow were each in excess of $10 million.

Morocco took $69 million worth of U.S. farm product exports, and South Africa took $56 million, ranking fourth and fifth, respectively, as U.S. markets in Africa.

U.S. **wheat** exports to Africa amounted to 3.59 million tons in 1977, and the No. 1 country market was Egypt, with purchases of 1.34 million tons, valued at $132.7 million. These purchases of U.S. wheat made up roughly one-third of Egypt's total wheat imports in 1977. In addition, Egypt purchased 300,000 tons of U.S. wheat flour, valued at $46.8 million, 77 percent of all U.S. wheat and flour shipments to Africa.

With a large population of about 40 million estimated for mid-1978, and a limited crop area, Egypt is expected to continue as an importer of food commodities for many years to come.

By taking 673,000 tons of U.S. wheat, valued at $83.8 million, Nigeria outdid all other African markets (except Egypt). In the last 5 years, 85 percent of Nigeria's imported wheat came from the United States.

Although fluctuating greatly from year to year, U.S. wheat exports to countries in North Africa have been strong. In 1975, Morocco, Algeria, and Tunisia bought 1.35 million tons of U.S. wheat for $200 million; 1.0 million tons for $158 million in 1976; and 1.16 million tons for $120 million in 1977.

The swing in purchases by these three countries reflect changing import requirements, largely a result of wide swings in production caused by capricious weather. These fluctuations contrast with the steady import growth rates in Nigeria and Egypt, the two largest African countries in terms of population.

Wheat import needs by Morocco, Algeria, and Tunisia in 1978 will likely remain large because of poor 1977 grain crops and bad conditions during planting of the winter wheat crop for harvest in 1978. The U.S. share also probably will remain large.

Rice shipments to Africa in 1977 of $178.5 million were worth twice 1976 shipments, which in turn were considerably higher than those of 1975.

Nigeria's 1977 purchases of U.S. rice—158,000 tons, valued at $82.8 million—were not only three times as large as its U.S. rice imports the year before, but almost equal in volume to those made by all other African countries combined.

In the past, South Africa had been the largest African customer for U.S. rice. U.S. exports to that country in 1977 were 94,000 tons, valued at $32.7 million, $1.4 million greater than the value of the 1976 U.S. rice exports.

The United States shipped 201,600 tons of **cottonseed oil** to Africa in 1977,

and Egypt took virtually all of it.

Egypt is the largest single buyer of U.S. cottonseed oil. This preference is largely based on the shortage of storage capacity to handle other vegetable oils in bulk.

Egypt also was the major African market for U.S. **tallow** exports in 1977, followed by Algeria and Nigeria. Of the 236,900 tons of U.S. tallow shipped to Africa, Egypt's purchases were 113,400 tons, worth $54.3 million—about the same as in 1976. In both years, most of Egypt's tallow went for soap. Algeria took $14.5 million of the U.S. tallow shipped to Africa, Nigeria took $13.2 million.

Shipments of U.S. **tobacco** to African countries in 1977 were nearly twice the 1976 value. Egypt took 56 percent by value of these exports.

In 1977, **corn** stood in sixth place among U.S. exports to Africa, compared with third place in 1976. Approximately 1.1 million tons of U.S. corn, valued at $95 million, moved to African markets.

Egypt took 530,000 tons for $51 million. Much of this corn was for human consumption, but a growing share is being used to feed poultry and dairy cattle.

Tanzania, Africa's second ranking market for U.S. corn in recent years, took only 37,000 tons for $4 million in 1977, somewhat less than in 1976. Most of this corn was for human consumption, needed because of a cut in local food production.

Many of the African countries that buy U.S. farm exports also supply the United States with imports, the most important countries being those providing coffee, cocoa, and sugar.

Ivory Coast was the No. 1 African supplier of U.S. agricultural imports. Valued at $311.9 million, they consisted mainly of coffee (60 percent) and cocoa beans and cocoa products (about 40 percent).

Exceptionally large shipments of Ugandan coffee put that country in the No. 2 place as an African farm product supplier. Total agricultural imports by the United States from Uganda were valued at 246.9 million, 99.4 percent for coffee.

Zairian farm products shipped to the United States were valued at $93.4 million, putting Zaire in No. 3 spot as a supplier to the United States. In Zaire's case, coffee accounted for 95 percent of its farm product sales to the United States.

Eight other African countries—Ethiopia, Kenya, Ghana, Madagascar, Tanzania, Liberia, South Africa, and Nigeria—sold farm products to the United States, valued at more than $65 million.

In 1977, **coffee** maintained its accustomed first place among African agricultural products imported by the United States. Coffee imports dropped by 40 percent from the 1976 total to 204,300 tons, but value skyrocketed to a record $897.5 million.

In 1977, the average import price of African coffee was $4.38 per kilogram, compared with $1.94 per kilogram in 1976, and $1.12 per kilogram in 1975. Uganda was the top African supplier of U.S. coffee imports—58,000 tons for $245.3 million—3 percent more than the previous year's volume and 130 percent more in value.

Ivory Coast, another major supplier of U.S. coffee imports, provided 40,000 tons for 186.6 million in 1977, down by about half in quantity but up about 10 percent in value from 1976 levels.

Second most important farm product imported from Africa by the United States in 1977 was **cocoa beans.** Prices for this commodity also were noticeably higher than in 1976. Whereas the quantity of 1977 cocoa bean imports was down 17 percent, total value was up nearly one-third to $203.2 million. Average prices for 1977 imports were $2.15 per kilogram.

U.S. imports of cocoa beans from Africa were mainly from three countries—Ghana, Ivory Coast, and Nigeria. Shipments from Ghana were worth $72.1 million; from Ivory Coast, $70.9 million. In addition, $36.4 million worth of African **cocoa butter** and $35.9 million of **unsweetened chocolate** were imported by the United States in 1977.

Numerous other African agricultural products were imported by the United States in 1977. The most important of these were **sugar, rubber, cashew nuts,** and **tea,** ranging in value from sugar's $96.9 million to tea's $36.4 million. □

Value of Selected U.S. Agricultural Exports to Africa, By Chief Destination, 1975 and 1977

Commodity	1975 Value	1975 Destination	1977 Value	1977 Destination
	Mil. dol.	*Country*	*Mil. dol.*	*Country*
Wheat	184.3	Algeria	132.7	Egypt
	154.7	Egypt	83.8	Nigeria
	61.8	Nigeria	64.8	Algeria
Rice	35.8	South Africa	82.8	Nigeria
	9.3	Liberia	32.7	South Africa
	8.1	Tanzania	15.2	Liberia
Corn	68.5	Egypt	51.2	Egypt
	27.3	Tanzania	4.0	Tanzania
Tobacco	14.4	Egypt	43.8	Egypt
	7.5	Libya	12.9	Zaire
Cottonseed oil	114.5	Egypt	120.9	Egypt
Tallow	42.6	Egypt	54.3	Egypt
	8.9	Algeria	14.5	Algeria
Cotton	8.9	Ghana	46.5	Egypt
	4.9	Zaire	10.4	Ghana
All agricultural	424.7	Egypt	540.3	Egypt
	216.3	Algeria	212.0	Nigeria
	96.9	Nigeria	139.7	Algeria
	72.9	Morocco	69.1	Morocco

Value of Selected U.S. Agricultural Exports To Africa, Specified Years

[In million dollars]

Commodity	1970	1975	1976	1977
Wheat	73.4	535.4	493.1	388.3
Wheat flour	8.7	24.6	59.0	60.9
Rice	31.0	68.9	90.0	178.5
Corn	9.3	134.7	117.4	94.8
Grain sorghum	.8	3.8	4.1	6.0
Tobacco	16.2	44.8	50.0	98.5
Cotton	11.4	21.7	18.8	65.0
Cottonseed oil	9.6	114.5	73.9	120.9
Soybean oil	25.3	18.0	8.8	14.5
Tallow	21.3	71.6	91.5	106.1
Other agricultural	52.0	118.6	172.1	230.9
Total	259.0	1,156.6	1,178.7	1,364.4

U.S. Eases Controls To Up Meat Imports

The United States has acted to permit the import of an additional 200 million pounds of fresh and frozen beef, veal, and mutton in 1978 above the originally estimated import level of 1.3 billion pounds based upon a program of voluntary export restraints negotiated with supplying countries. Imports of these meats are subject to the Meat Import Law.

The economic impact of increasing the U.S. meat supply by 200 million pounds during the second half of the year will not be large for either retail meat prices or cattle prices. Imported meats account for a small share of total U.S. consumption—about 4.2 percent last year. Projected effects of the U.S. action are:

- Effect on retail prices will be reflected primarily for convenience meats and less expensive cuts, such as hamburger. Hamburger prices could be held 5 to 6 cents per pound below what they otherwise would be.
- Net savings to consumers could be $500 million or more, income that can be directed to other goods and services.
- Domestic cattle prices are not expected to be materially affected. Impact will be largely on utility cow prices, which could decrease $2 to $3 per hundredweight.

Citing a declining cattle herd and rising domestic meat prices, President Carter on June 8 directed that the necessary steps be taken to allow additional imports.

As a result, the State Department is adjusting import levels of supplying countries upward from the original levels, which totaled 1,292.3 million pounds, to 1,492.3 million pounds.

The mechanics of accommodating the new level to the Meat Import Law begin with an estimate by Secretary of Agriculture Bergland of 1978 meat imports. The new estimate will be above 1,302.3 million pounds, the point at which the Law requires an import quota to be imposed. To permit imports at the higher level, the President must proclaim a quota and then suspend it. The voluntary restraint agreements, negotiated by the State Department under the Agricultural Act of 1956, will be used to hold imports to the new level. The agreements are enforceable by regulations issued under the Act.

The negotiated voluntary restraint program for 1978, includes agreements with 12 nations and a bilateral exchange of letters with Canada. Allocations by country (in million pounds) are: Australia, 663.5; New Zealand, 272.6; Canada, 76.2; Mexico, 63.1; Costa Rica, 56.5; Nicaragua, 51.5; Honduras, 37.8; Guatemala, 36.2; Dominican Republic, 15.2; El Salvador, 12.1; Panama, 5.1; Haiti, 2.0; and Belize, 0.5.

The June 8 announcement called for a renegotiation of the agreements to increase the total by 200 million pounds. Allocations are expected to follow the historical pattern. As a result, a large portion of the increased 1978 imports most likely will come from Australia and New Zealand.

The 1964 Meat Import Act was passed to control the growth of imports of fresh, chilled, or frozen beef, veal, mutton, and goat meat.

Since its implementation, voluntary restraint agreements have been negotiated in 6 years at or below the level at which quotas would be imposed, and on three occasions—1972, 1973, and 1974—the President suspended quotas entirely, allowing unrestricted imports. Quotas have been imposed once—in 1976.

The U.S. cattle industry is subject to cycles of about 10 years in duration. After reaching a record 132 million head at the beginning of 1975, the U.S. cattle herd had fallen to 116 million head on January 1, 1978, and is expected to decline further this year. The rebuilding phase of the cattle cycle will start soon, but several years are required before increased domestic beef supplies reach consumers.

Since 1974, many domestic livestock producers have experienced losses; in fact, for 15 of the last 23 quarters, cattle feeders have suffered net losses. However, returns to producers are now above costs. Prospects for the next 2 to 3 years point to a continuation of this situation.

Retail meat prices—stable for the past 3 years because of record meat supplies—increased about 10 percent during the first 4 months of 1978. This rise was in response to the reduced cattle inventory and adverse winter weather, combined with strong demand stemming from record employment levels and increased earnings.

Retail beef prices went down in 1976 and stayed at about the same levels last year, owing to record beef supplies. This year, however, choice-beef prices rose about 14 percent during the first 4 months alone. These higher prices contributed to the 5.9 percent increase in the Consumer Price Index for food over the same period.

U.S. meat production for 1978 is expected to fall about 1 percent below 1977 levels to approximately 51.1 billion pounds, almost half of which will be beef. Although beef production is expected to be down 4 percent to 24.2 billion pounds, pork production will be up 2 percent to 13.5 billion pounds, and poultry output will expand about 7 percent to nearly 13 billion pounds.

The U.S. per capita consumption of all meats in 1978, including increased imports, is projected at 244.2 pounds. Of this, per capita beef consumption is estimated at 120.5 pounds —including 10.4 pounds of imported beef. □

Bangladesh Wheat

Bangladesh wheat production for the 1977/78 crop year (July-June) is expected to climb 67 percent above last year's bumper crop to between 400,000 and 450,000 tons. Hectarage is also up to 202,000 hectares from 160,000 in 1976/77. Since the 1971 war, yields have increased by 180 percent—from 0.75 tons per hectare to 2.1 tons per hectare in 1977/78.

Although wheat is a minor crop in Bangladesh, accounting for 3 percent of total foodgrain production, the potential is considerable. The Bangladesh Government targets 1978/79 production in excess of 500,000 tons with area of 300,000 hectares. Eventually, the Government aims for annual production of 2-3 million tons. □

U.K. Data Show Drop In Tobacco Consumption

Tobacco consumption in the United Kingdom (based on manufactured-product weight) fell in 1977, compared with that of 1976 and earlier years, according to the U.K. Tobacco Advisory Committee. Total manufactured weight of all tobacco products sold for consumption in the United Kingdom was only 104,327 tons, 3,719 tons below the 1976 level and lower than any year's, at least since the early 1950's.

The previous low point for tobacco consumption was in 1971, when use fell to 107,412 tons. Consumption of all kinds of tobacco products in 1977 was either lower than or the same as that of a year earlier with the brunt falling on cigarettes and cigars.

Total cigarette consumption in 1977 was down from 1976's by 4,700 million pieces to 125,900 million pieces. There was a sharp downturn in consumption of plain cigarettes which, at 12,550 million pieces, was 3,050 million below 1976's. Nevertheless, consumption of filter-tipped cigarettes also went down, by 1,650 million pieces to 113,350 million. In 1977, plain brands accounted for only 10 percent of total cigarette sales, compared with 12 percent in 1976.

Manufactured weight of cigarettes consumed in 1977, at 89,721 tons, was down from the previous year's level by 3,447 tons, with much the biggest fall in both absolute and proportionate terms in plain cigarettes. This sector's manufactured weight was down by 2,994 tons to only 10,750 tons. The manufactured weight of filter brands fell by only 454 tons to 78,-971 tons.

These figures bear out the success of the heavy promotion of filter-tipped, king-size brands of cigarettes last year, when cigarette companies spent large sums of money to promote king-size brands, in preparation for imposition on January 1, 1978, of a new tax structure than lessened the price differential between small and large cigarette brands.

The average tobacco weight per million tipped cigarettes in 1977 was 696.-70 kilograms, compared with 690.65 kilograms in 1976. On the other hand, the average manufactured weight per million cigarettes of plain brands fell sharply from 881.03 kilograms to 856.60 kilograms, reflecting the fact that more of the diminishing group of smokers of plain cigarettes favor small-size cigarettes. A further contraction in the small-size cigarette market seems inevitable.

This is the cigarette sector coming under increasing pressure, both from the smoking and health lobby and from the Government, since most of the brands in this sector are in the middle-to-high tar range, which the Government intends to tax at a supplementary rate. Furthermore, most plain cigarette smokers are elderly and the market is bound to diminish through attrition.

There was also a significant fall in the market for cigarillos, small cigars, and full-size cigars in 1977. Consumption of cigarillos fell by 25 million pieces to 120 million, although the manufactured weight of cigarillos and small cigars was unchanged at 90.7 tons.

Cigar consumption was down by only 10 million pieces to 1,570 million, but the manufactured weight of cigars consumed dropped by 181 tons to 2,948 tons, reflecting a significant drop in the average tobacco weight.

Consumption of both pipe tobacco and hand-rolling tobacco declined only marginally in 1977, compared with that of a year earlier, but some increases in these sectors may be expected, given the fall in cigarette consumption. □

Continued from page 7

German Feeds

ing purchased simple feeds, such as corn and barley.

Greater use of compound feed has contributed significantly to improved feeding standards. Partly as a result of this development, production efficiency per animal has increased considerably, with milk production per cow rising 21 percent since 1960 and egg output per layer rising 52 percent in the same period.

As a result of these increases in productivity, prices for most livestock and poultry products over the long term have risen at a slower rate than wages.

For example, the average hourly wage of a West German industrial worker covered the price of 12.8 eggs in 1960 and 44.5 eggs—nearly 3.5 times more—in 1976.

In 1960, 488 grams (17.2 oz) of ready-to-cook frying chicken could be purchased with the average hourly wage, compared with 2,222 grams (4.9 lb) in 1976—more than 4.5 times as much.

In 1960, 467 grams (16.5 oz) of beef could be bought, compared with 725 grams (1.6 lb) in 1976, and 412 grams (14.5 oz) of butter could be purchased in 1955, compared with 1,205 grams (2.7 lb) in 1976. □

Foreign Agriculture

Vol. XVI No. 25
June 19, 1978

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

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WASHINGTON, D C 20250

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New London Agricultural Trade Office Is a First

The USDA has opened its first overseas trade office in London. Its purpose is to promote exports of U.S. farm products to the United Kingdom and nearby Continental countries, and to service U.K. importers and U.S. exporters. U.S. Secretary of Agriculture Bob Bergland officiated at the May 26 ceremony.

The new office brings into one central location the London staffs of the U.S. Feed Grains Council, the Poultry and Egg Institute of America, and the U.S. Meat Export Federation. Commodities represented by these groups account for almost one-half of U.S. farmers' returns from marketings.

At the opening, the Secretary said, "This is a new experience for the United States. And we think it is an experience that will benefit not only the producers of agricultural commodities in the United States and those engaged in foreign trade, but will benefit the consumers of American farm products wherever they may be found . . . This will provide truly the best of both worlds where we have Federal cooperation in our Government with the leaders of the private business community."

Situated near the American Embassy at 47 N. Grosvenor Square, W.1, the new office can be reached through the Embassy switchboard number—499-9000. A trade coordinator attached to the Embassy will direct export development for the U.S. Government in the United Kingdom for all U.S. farm products.

Facilities provided by the USDA trade office include a conference room, stenographic assistance, telephone service, and technical assistance in dealing with U.K. trade regulations, etc.

U.S. agricultural sales to the United Kingdom in 1977 amounted to over $1 billion. Sales to all of Western Europe approached $10 billion.

With the opening of the new trade office, U.S. farmers are for the first time represented in a major market by a single coordinated sales thrust. It is hoped that similar sales offices may be opened by the United States in other important markets.

The U.S. Feed Grains Council, the Poultry and Egg Institute of America, and the U.S. Meat Export Federation are among some 40 nonprofit organizations working with the USDA specifically to promote exports. These organizations have more than 50 overseas offices.

The feedgrains group has 10 overseas locations, including its London office, headed by Colin Campbell, Director, U.K.

The Poultry and Egg Institute has four offices outside the United States. Its London office is headed by Edmund H. Driggs. Both of these are long-established organizations associated with USDA market development activities since that program was authorized by the U.S. Congress in the mid-1950's.

The U.S. Meat Export Federation is the newest USDA meat development cooperator, having been organized in 1976. Its London opening follows the inauguration in March of an office in Tokyo—its first location outside the United States. Arthur Hartog heads the MEF office in London.

Each of these cooperating groups in London has areas of responsibility beyond the United Kingdom. The new U.S. Agricultural Trade Office will coordinate U.S. export sales policies and programs in those areas to create new export initiatives and to assist private companies in achieving their trade objectives.

Secretary Bergland's participation in the London opening came at the end of almost 3 weeks of trade and agricultural talks in the Soviet Union and East European countries. He left Washington May 7 and returned May 26. □

New FAS Publications

- The East European Market for U.S. Soybeans and Products (FAS M-281)
- Bumper Potato Crops in Western Europe, South America, and Canada (FVEG 1-78)
- World Cocoa Bean Production Up in 1977/78 (FCB 1-78)
- U.S. Poultry and Egg Exports at Record High in 1977 (FPE 2-78)
- Fourth World Coffee Production Estimate Down 2 Percent (FCOF 2-78)
- U.S. Essential Oil Trade Mounts in 1977 (FTEA 2-78)

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